

**Michigan State Senate
Economic Development Committee Hearing
Engaging Michigan's Tribes as part of 'Reinventing Michigan'**

Written Testimony of Sarah L. Lukin
Senior Vice President of Corporate Affairs
Afognak Native Corporation

December 14, 2011

Chairman Kowall, Vice Chairman Hildebrand, and esteemed Members of the Committee, *quyanaa* (thank you) for inviting me to speak before you today on engaging Michigan's Tribes as part of "Reinventing Michigan." My name is Sarah Lukin. I am Alutiiq from the Native Village of Port Lions on Kodiak Island, a remote community of 200 people in the Gulf of Alaska. Although currently I live in Anchorage, Alaska where I serve as the Senior Vice President of Corporate Affairs for Afognak Native Corporation and the Interim Executive Director of the Native American Contractors Association (NACA). This written testimony is submitted on behalf of Afognak.

About Alaska Native Corporations

Alaska Native Corporations were established by Congress under the 1971 Alaska Native Claims Settlement Act (ANCSA) to settle indigenous land claims of the Alaska Native people. ANCSA made a settlement of 44 million acres of land (making Alaska Natives the largest private land owner in the U.S.) and \$962.5 million in cash to 12 regional and 200 village corporations. Native corporation enrollees were those Alaska Natives who were alive or born on or before December 18, 1971, and proved their lineage to their respective region and village. Congress termed Native corporation enrollees as "Shareholders" — it is a lifetime enrollment that cannot be bought or sold. Most Alaska Natives enrolled in both a regional and village corporation. I am an Alaska Native shareholder of Afognak Native Corporation, my village corporation, and Koniag, Inc., my regional corporation.

ANCSA, although not perfect, provided Alaska Natives with an avenue of economic development and self-sufficiency. Some Native corporations have succeeded, while many others have struggled. Congress amended ANCSA to help Alaska Natives overcome barriers to economic development in rural Alaska by making Alaska Native Corporations eligible to participate in the Small Business Administration's 8(a) Program. This change made it clear that the government had an obligation to promote a long-term revenue stream as an integral part of the original ANCSA economic settlement.

Afognak Native Corporation is an Alaska Native village corporation established under ANCSA. Afognak provides economic, social and cultural benefits to its 845 shareholders and their

families. It is governed by a nine member Board of Directors. All Board Members are Native Shareholders and are elected by their fellow shareholders, serving 3 year terms.

Afognak owns 160,000 acres of land in the Kodiak Archipelago, primarily on Afognak Island. Our lands represent our most valuable asset, have formed the core of our financial success as a corporation, and demonstrate value through shareholder use for culture, subsistence, and recreation activities as well as the opportunity for economic development.

Michigan and Alaska – Two States with Similar Challenges and Opportunities

My husband is from New Lothrop, Michigan – a small community outside of Flint. We often travel to Michigan to visit our family and over the years we have talked of the similarities between our families, our communities and our states.

My husbands' grandfather, father, uncles and cousins all whom grew up farming and working in General Motors factories. My father-in-law retired a few years ago after working for 40 years in a General Motors factory. The recent losses in the auto industry have devastated Michigan and our family. Similarly, I come from a family that for generations commercially fished. In the 1980's when fisheries declined, it was devastating for our local community. Fishing was all that we knew and we needed something else to hold our community together. Afognak Native Corporation became that "something else."

Afognak entered into timber development in the early 1980's providing jobs and benefits to the shareholders and the local community. For 18 years Afognak participated in, and profited from, timber development ventures on Afognak Island.

In 1999, as Afognak's timber development opportunities began to wane, we entered the government contracting arena. Utilizing the Small Business Administration's 8(a) business development program, Afognak established Alutiiq, LLC, and formed its first Native 8(a) subsidiary to pursue government contracts. Our Alutiiq families of companies have successfully participated in the Native 8(a) program, and today we continue to grow our key competencies as we learn to compete in government and commercial contracting arenas. Currently we employ over 4,700 people in 48 states and several foreign countries with operations in security services, logistics/operations and maintenance, technical services, construction, and training.

Building on the skills and resources gained from our government contracting businesses, Afognak recently diversified into the energy market. We have purchased Alaska-based Alutiiq Oilfield Solutions, LLC, which provides services and products to oil field companies, and Community Power Corporation, an alternative energy company in Colorado that builds commercial modular biopower systems.

All profits earned from our business operations go to benefit our Native Shareholders and community through economic, educational, social and cultural program support.

Certainly Afognak is one example of several ANCs that have utilized the benefits of the 8(a) program to boost the local economy. Over the past 10 years some ANCs have found tremendous success in government contracting, which contributes up to 94 percent of total revenues for

some. In 2010 alone, total revenues for the 12 Alaska-based regional corporations exceeded \$7.76 billion, largely due to government contracts. Annually a list of the Top 49 Alaskan-owned and-operated companies are published in the state of Alaska. Of the Top 49 companies listed, 21 were ANCs and represented 74 percent of all gross revenues and 84 percent of the jobs reported by all of the companies. It is important to note here that all Native 8(a) contracts combined -- ANC, Tribes, and Native Hawaiians -- represent 1.3 percent of federal procurement dollars. Also, it is worth noting that although some ANCs have seen success in Native 8(a), many others have chosen not to enter the government contracting business or are struggling to break into this highly competitive market.

Those ANCs successful in Native 8(a) use their profits to support a myriad of economic and social investments in Alaska, ranging from local jobs, to scholarships, to job training, to language revitalization programs, and eldercare assistance, among others.

Tribes, ANCs, and Native Hawaiian Organization 8(a)s create jobs in all 50 states, hiring locally and stimulating locally economies through jobs, property income, teaming and vendor relationships with local businesses, and business taxes. They are creating jobs in a time of high unemployment through innovation and quality past performance.

As Michigan evaluates economic opportunities to spur the local economy, Native 8(a) should be considered. Michigan Tribes, similar to ANCs, can utilize their unique opportunities within the 8(a) program to pursue local contracting opportunities, creating jobs in your state. Additionally, they can seek contract opportunities worldwide as many ANCs and Tribes have done, building their business capacity and diversifying into new lines of business, and bringing the profits back to benefit the state and their tribal members.

Michigan Job Corps Centers

Alutiiq has contracts for the operation of two Job Corps centers in the state of Michigan: Flint Genesee Job Corps Center and the Detroit Job Corps Center. Job Corps is a national residential training and employment program administered by the Department of Labor. The contract's objective is to provide disadvantaged youth, ages 16-24, with a range of career development services leading to employment and long-term attachment to the workforce.

Combined the Flint and Detroit Job Corps Center employee 261 people and serve 700 disadvantaged youth. About a dozen career training options are available for students, including but not limited to: office administration, computer service technician, dental assistant, and security. Independent living, employability skills, and social skills are offered in order to help students transition into the workplace.

In addition to career training, academic training is provided to teach students basic reading and math. The Detroit Job Corps and Flint Job Corps work to get students their GED/high school diploma prior to leaving the center. Driver's Education is available to all students needing their driver's license.

Each student selects a career they are interested in pursuing and a career management team works with them through the self-paced program to help them succeed. It takes the average

student two years to complete the program. About 85 percent that graduate from the Job Corps Program are placed in jobs. Following completion of the program, students receive regular follow-up from the center to help them transition into the "real world" and their careers.

The Flint Genesee Job Corps Center is one of the few Job Corps centers nationwide that has a Single Parent program for Michigan residents with single Parent (residential) dorm housing. The Child Development Center and preschool was built from Genesee County money and funded through the State of Michigan. The entire facility was constructed by the Department of Labor as a new facility.

The Flint Genesee Job Corps contract was a small business sole source award to Alutiiq Professional Services, LLC in March, 2004. Alutiiq successfully performed this \$9 million per year, 2-year contract with 3 option years, and received a follow-on contract in March of 2009. The Detroit Job Corps Center contract was a small business competitive award to Alutiiq Education and Training, LLC in September, 2007. We are currently in the second option year of this \$9 million per year, 2-year contract with 3 option years.

Alutiiq has a subcontract with a national company ResCare, Inc. to provide facilities, security, medical, property and food service, for the Flint and Detroit Centers, which is approximately \$1.8 million per center annually. In addition, we subcontract \$480,000 annually to eight local businesses to provide a myriad of medical services to Job Corps students. All students receive free dental, vision, medical and mental health services through the centers.

The Flint and Detroit Job Corps Centers are great examples of utilizing Native 8(a) experience, a federal small business program, and resources from the state and local governments to provide jobs, job training and support the local economy.

Conclusion

As Michigan considers ways to "Reinvent Michigan" the State Legislature should examine how it could partner with local Tribes, other Native 8(a)s, the Michigan Economic Development Corporation, and the federal government to expand business opportunities through the Native 8(a) program.

Quyanaasinaq (thank you very much) for allowing me to discuss this critical economic development tool and I would be happy to answer any questions you may have.

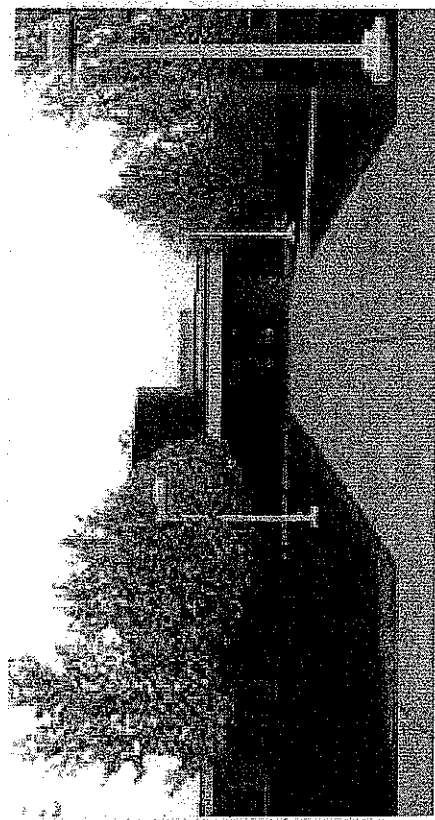
FLINT/GENESEE JOB CORPS CENTER

The Flint/Genesee Job Corps Center, services approximately 360 young adults ages 16 to 24 each year, providing them with the academic, vocational, and employability skills needed for success in the workplace. Flint/Genesee Job Corps Center, a residential academic and job training facility, located in Flint, Michigan, is operated by Alutiq Professional Services, LLC and ResCare under contract from the U.S. Department of Labor's Office of Job Corps. The Center houses 308 residential students and currently has 60 non-residential students, offering a GED program, on-line high school diploma, career technical training in twelve areas, continuing education, advanced training, and child care. The majority of students come from throughout Michigan, with additional inputs from Ohio, Illinois, and Indiana. Students participate in various programs and events to include letters and collections to U.S. soldiers, blood drives, assisting elementary schools, the elderly, community gardens signs, and more.

Employer, Community Partners, and friends: The Flint/Genesee Job Corps Center has linkages and support from the community and government officials. It has an active Community Relations Council and the first City Council meeting, outside of City Hall was held on Center, with record breaking attendance. Several employer and community partners include Mott Community College, University of Michigan, Michigan State University, City of Flint, Finishing Trades Institute, Boys and Girls Club, Big Brothers/Big Sisters, United Way, GCCARD, Genesee County Chamber of Commerce, Loving Hands, Schools of Choice, Security Credit Union, Flint Neighborhood Improvement Program, Career Alliance, Resource Genesee, American Medical Careers, Urban League of Flint, Flint 68th District Court, Chase Bank, Holiday Inn, Hispanic Technology Center, Headstart, ABC News, Regent and Cumulus Broadcasting, Flint Journal Newspaper, STRIVE, Habitat of Humanity, Eastside Business Association, Junior League of Flint, American Medical Society, and more.

Key Contacts:

FGJCC Center Director: Jean Hill (810) 232-9102 ext. 116
Business Community Liaison: Verona Terry (810) 232-1131 ext. 113
Alutiq's Contractors Contact: Noreen Normandeau (810) 234-1100



QUICK FACTS:

The Flint/Genesee Job Corps Center Student Survey reflects 77.5% of the National goal for Student Satisfaction. Its overall performance is rated at 104.0. The Center currently is ranked 78 out of 123 Job Corps Centers located nationally, to include Puerto Rico and Hawaii. Academically, it is rated 57th in the nation. Vocationally, it is ranked 78th to place # 31st in Combination Completers (Combo). The Center is # 22nd the nation in Job Training Match and places # 17 in numeracy.

PROGRAM YEAR TO DATE PERFORMANCE RESULTS 04/01/2010-05/06/11

Performance Measures	Dept of Labor Goal	Flint/Genesee Results
HSD/GED Attainment	52.0%	104.5%
Literacy	2.32%	83.6%
Numeracy	2.46%	126.8%
Career Tech. Training Completion	75.0%	114.8%
Combo (HS & Vocational)	43.3%	115.1%
Job Training Match	70.0%	122.9%
Graduate Placements	80.0%	66.1%
6-Month Placement	70.0%	83.9%
12 Month Placement	70.0%	85.3%
Former Enrollee	50.0%	81.3%
Average Wage	\$9.16	\$8.57

12 Career Technical Training Programs:

Brick Masonry	Dental Assistant	Hospitality
Carpentry	Office Assistant	Security
Certified Nursing Assistant	Painting	
Certified Medical Assistant	Retail Sales Clerk	
Computer Technology	* Pharmaceutical (new)	



Working to enhance the economic self-sufficiency of America's indigenous peoples
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Written Testimony of Sarah L. Lukin
Interim Executive Director
Native American Contractors Association

December 14, 2011

Chairman Kowall, Vice Chairman Hildebrand, and esteemed Members of the Committee, *quyanaa* (thank you) for inviting me to speak before you today on engaging Michigan's Tribes as part of "Reinventing Michigan." My name is Sarah Lukin. I am Alutiiq from the Native Village of Port Lions on Kodiak Island, a remote community of 200 people in the Gulf of Alaska. Although currently I live in Anchorage, Alaska where I serve as the Interim Executive Director of the Native American Contractors Association (NACA) and the Senior Vice President of Corporate Affairs for Afognak Native Corporation. This written testimony is submitted on behalf of NACA.

About NACA

NACA is a national Native organization based in Washington, DC. NACA represents and serves Tribal, Alaska Native Corporations (ANCs), and Native Hawaiian Organizations (NHOs) across the nation on issues relating to the economic self-sufficiency of America's indigenous people, focusing on our members' participation in government contracting and the Small Business Administration's (SBA's) 8(a) Business Development Program. NACA's members include 27 tribes, 24 ANCs, and 2 NHOs. Locally, two Michigan Tribes, the Hannahville Indian Community and the Grand Traverse Band of Ottawa and Chippewa Indians, are NACA members. Collectively our members have operations in all 50 states, several foreign countries and employ almost 55,000 Americans and provide valuable benefits and services to over 675,000 Tribal Members, Alaska Native Shareholders, and Native Hawaiians. NACA members currently employ roughly 500 citizens of Michigan with an annual payroll of more than \$15 million.

About the Native 8(a) Program

Recognizing that small businesses are critical to our economy, the Small Business Administration (SBA) is charged with assisting and protecting their interests. Congress found that by providing access to the federal procurement market, the business development of small business concerns owned by those who were disadvantaged could be achieved. The SBA has created numerous government procurement programs for businesses owned by disadvantaged



individuals and groups. These programs include the 8(a) Business Development program (including Community Development Corporations), the Small and Disadvantaged Business ("SDB") program, the Historically Underutilized Business Zone ("HUBZone") program, and the Service-Disabled Veteran-Owned ("SDVOB") program, and promote minority and disadvantaged small business owners to do business with the federal government.

To ensure that small businesses have access to the procurement market, statutory goals have been established for the federal government to contract with small businesses, SDBs, women-owned small businesses, HUBZone businesses and SDVOBs. The federal government has a 23% mandated small business contracting goal and the SBA negotiates with procuring federal agencies to establish agency goals to ensure that the federal government meets these goals.

America has a long history of using its purchasing power as a means to further the business development and economic development of various individuals and groups who would otherwise be excluded from the huge government contracting market. This furthers social goals but more importantly it increases competition and expands and diversifies the sources of supplies and products for the government. Native Enterprises are starting to use these procurement programs just as the government intended, to use business approaches and models to further self-reliance and build strong Native communities, partially fulfilling the federal government's obligations to Native Americans.

By creating unique Native 8(a) provisions, Congress recognized the special needs and its obligations to Indian Tribes, Alaska Natives and Native Hawaiians. These are both similar to the legitimate policy goals that support business development efforts for other 8(a) program participants (as well as other small business set-asides for woman-owned businesses and service-disabled veteran-owned businesses, and small and disadvantaged businesses), and the unique relationship between Native Americans and the federal government.

The federal government's unique obligations to Native Americans are recognized in the Constitution, federal laws, and by the Supreme Court, and those obligations empower Congress to enact legislation that recognizes the status of Native Americans. In terms of economic development, this special relationship is embodied in the Indian Commerce Clause of the United States Constitution. In furtherance of this relationship, Congress enacted legislation to encourage the participation of Tribally-owned and ANC-owned firms in the 8(a) program in a manner that advances the federal government's interest in promoting self-sufficiency and economic development in Indian Country.

Like other 8(a) firms, Native Enterprises can only participate in the 8(a) program through small businesses which are subject to defined program entry eligibility requirements. Native Enterprises have two unique provisions:

- 1) The competitive thresholds which limit the amount of sole-source contract awards do not apply; and
- 2) Native Enterprises can participate in the 8(a) program through more than one company.



This was the intent of Congress, and makes sense in light of the economic and social disadvantages with which Native communities must contend and the numbers of Native Americans in need.

The disadvantages suffered by Native Americans encompass entire communities and villages, as opposed to individuals who are socially or economically disadvantaged. The ability to operate more than one company allows Native Enterprises to provide for hundreds or thousands of their people.

Similarly, Native Enterprises are not subject to low caps for a reason. Unlike the typical structure of a small business, with one or a few owners, Native Enterprises are responsible for combating historical disadvantage, rural isolation, and the depressed economies that have resulted from a multi-generational dearth of opportunity. The program rules were purposely drafted, and Congressionally-mandated, to reflect the social and economic obligations Native Enterprises have to their communities, the size of these communities, and the immensity of the problems we face. The Native 8(a) program is beginning to achieve what Congress intended: an economic development program to help disadvantaged Native American communities that lifts our people with a hand up -- not a hand out.

Native Enterprises provide quality services and cost-effective products to the Federal government. It is no secret that the government contracting marketplace is highly concentrated and dominated by a few very large companies. By providing additional sources of products and suppliers within the market, Native Enterprises give the government alternative procurement vehicles, provide competition to the big companies, and give the taxpayers' more value for their dollars.

Native 8(a) in Michigan

NACA conducts regular regional Native 8(a) Workshops and Outreach Sessions across the nation to help build the technical capacity of Native enterprises. Our workshops are tailored to meet the needs of the Tribes in the particular state and are free for Tribes, ANCs, and NHOs. NACA often forms partnerships with regional organizations focused on Native economic development. About a year ago the Michigan Economic Development Corporation (MEDC) contacted NACA and requested our assistance in training local Michigan Tribes about Native 8(a). Given MEDC's focus on building sustainable tribal economies through economic diversification for Michigan's twelve federally recognized Indian Tribes our partnership was a good fit.

In May 2011 NACA provided a Native 8(a) update during MEDC's Michigan Tribal Economic Development Conference in Lansing. In addition, NACA co-hosted with MEDC and the United Tribes of Michigan a one-day Native 8(a) workshop in July 2011 in Lansing. The workshop included sessions on filling out and completing the application; creating a successful corporate structure; working with the local Michigan SBA Office; and success stories of a few Tribes and ANCs that have excelled in Native 8(a).



NACA member Potawatomi Business Development Corporation, participated in the Michigan Emerging Tribal Economies conference, held August 2011 in Traverse City, which was co-chaired by the MEDC. Potawatomi and MEDC provided an overview of tribal business development opportunities and challenges facing the program; the 8(a) application process; where to find technical assistance for certification; and developing the legal and operational infrastructure of 8(a).

We look forward to continuing our partnership with the MEDC and Michigan Tribes. NACA believes there is significant interest in the 8(a) program among the Michigan Tribes and other Native firms wanting to conduct business in Michigan. With a concerted effort, the 8(a) program, and the Tribes in Michigan can contribute to the revitalization of the Michigan economy.

Legislative and Regulatory Status of Native 8(a)

Since 2006 NACA and the Native community has consistently fought off sweeping legislative and regulatory reforms. We have experienced numerous attempts to modify or all together remove Tribal and Alaska Native participation in 8(a). Attempts have been made to cap Native 8(a) awards, limit Native 8(a) contracts to work performed within the reservation or Alaska Native village boundaries, impose limitations on who they can hire, and execute requirements to minimize sole source contracts to Native 8(a)s. Meanwhile we've seen individual agencies, like the Air Force and the Navy, attempt to regulate Native 8(a) awards and establish their own limitations. We have testified at four congressional hearings; most recently before the Senate Subcommittee on Contracting Oversight and the Senate Committee on Indian Affairs.

In the last three years there have been eight Congressional requests to investigate the Native 8(a) program, each request chills the contracting environment with Native 8(a)s. 2011 has been a particularly challenging year for us in Washington, DC. This year alone, we have fought over a dozen attempts at legislative and regulatory reform. This doesn't include individual agency policies designed to limit Native 8(a) awards.

Over concerns that the SBA and agencies needed to beef up their oversight and enforcement of the program rules, and to ensure a transparent program with proper reporting and assistance in place, the SBA implemented comprehensive regulatory reforms in March 2011. To address media and congressional concerns over value to the taxpayer, the National Defense Authorization Act for FY 2010 included a provision which requires a formal written justification and approval process for any Native 8(a) award over \$20M. This provision was implemented in March 2011 as well. Congress must allow these newly implemented legislative and regulatory reforms to take effect before it considers additional reforms.

Congressional efforts to restrict the 8(a) program have a real effect on local economies where Native firms are operating contracts. Congress's repeated attempts to limit 8(a) opportunities are having a real impact on the ability to obtain or retain contracts and jobs.



Michigan State Senate Recommendations

NACA is appreciative that Michigan policymakers have taken an interest in this program and hope that your involvement will prove to be a positive influence on this potential economic engine for your state.

Although thus far we have succeeded in protecting Native 8(a) rights, it is not a matter of *if* additional attempts at reform will be made, but rather *when* those attempts will be made. In 2011, both Congress and federal agencies have sought to restrict government contracting across the board and Native 8(a)s experienced intense scrutiny. Native 8(a)s, representing less than 1.3% of the federal contracting pie, make an easy target. The problems with government contracting are universal. The search for solutions should be comprehensive, and not disproportionately focused on Native 8(a)s.

The Native community needs your support as we fight to protect, preserve and enhance Native 8(a) rights. I ask for your help in educating the public about what this program could mean for the local economy and Native people of Michigan. I ask you to reach out to your Congressional delegation and your networks in other States and talk with them about what the 8(a) program means, and can become, for your state. I ask you to consider how the State of Michigan could work with the Michigan Economic Development Corporation, SBA and Michigan Tribes to help your local Tribal businesses better access this empowering federal economic development program through increased resources and technical assistance.

Conclusion

Native 8(a) helps Tribes and ANCs build business capacity, and educates teachers, accountants, and IT specialists. In these tough economic times we need more benefits for our Native people, we need to support local small businesses, and more American jobs. To cut a federal economic development program that's actually working is absolutely wrong.

Quyanaasinaq (thank you very much) for your time.

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